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AZ CORP COMMISSION  
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUL 23 2008

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

DOCKETED BY

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In the matter of:

DOCKET NO. S-20605A-08-0377

Richard Bradford (CRD# 2706290) and Cindy  
Bradford (a.k.a. Cindy White), husband and  
wife;

NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO  
CEASE AND DESIST, ORDER FOR  
RESTITUTION, FOR ADMINISTRATIVE  
PENALTIES, AND FOR OTHER  
AFFIRMATIVE ACTION

Respondent.

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondent Richard Bradford has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and A.R.S. § 44-3101, *et seq.*, the Investment Management Act ("IM Act").

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act, and the IM Act.

**II.**

**RESPONDENT**

2. Richard Bradford ("BRADFORD") is an individual residing in Maricopa County, Arizona.

3. BRADFORD may be referred to individually as "Respondent."

4. Cindy Bradford, a.k.a Cindy White, ("C. BRADFORD"), at all times relevant, was the spouse of Respondent BRADFORD and may be referred to as "Respondent Spouse." Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

5. At all times relevant, BRADFORD was acting for his own benefit and for the benefit or in furtherance of the marital community.

**III.**

**FACTS**

6. At all times relevant, Respondent was not registered with the Commission as a dealer or salesman. BRADFORD (CRD# 2706290) has not been a registered salesman since 2001 and has never been a registered dealer.

7. The securities offered and/or sold by BRADFORD are not registered with the Commission.

8. At all times relevant, BRADFORD was not licensed as an Investment Adviser or Investment Adviser Representative.

9. Potential Investor(s) ("PI") or LLC member(s) may be referred to individually or collectively as "investor(s)," as the context so requires.

10. From on or about March 1, 2006, BRADFORD publicly offered and sold unregistered securities in the form of investment contracts, within or from Arizona.

11. From on or about March 1, 2006, BRADFORD solicited PIs, in or from Arizona, to pool money for an investment fund that would invest in stocks and various securities that would be

1 chosen and managed by BRADFORD and the returns would be based on his decisions,  
2 management, and efforts. The investment fund was commonly referred to by BRADFORD as a  
3 "Hedge Fund" called Fishing Partners-Salmon.

4 12. Profits were to be paid out to each investor proportionate to their percentage of  
5 contribution.

6 13. BRADFORD represented to at least one investor that:

7 a) He was an experienced and "licensed" securities salesman who was featured  
8 on CNN;

9 b) He had managed large funds in the past, making minimum returns of 30% or  
10 greater annually;

11 c) The investment provided low risk of devaluation or losses because  
12 BRADFORD "never lost money";

13 d) The proposed fund would be highly liquid at all times to allow investors to  
14 cash out easily upon request; and

15 e) That he was currently managing a separate multimillion dollar fund for the  
16 famous billionaire investor T-Boone Pickens.

17 14. However, none of the representations were in fact true.

18 15. BRADFORD represented to at least one investor not to worry about losing his  
19 principal as BRADFORD was worth millions and could guarantee the funds. However, when  
20 losses did arise, BRADFORD did not repay the investor his principal or interest upon request.

21 16. BRADFORD represented to at least one investor that he would guarantee a  
22 minimum of 20% annual return; however the investor has not received such a return and his  
23 investment has decreased in value.

24 17. Prior to investment, BRADFORD represented to at least one investor that monthly  
25 audited statements would be provided to the investor by an accountant. However, all statements  
26

1 submitted to investors after investing were created by BRADFORD in the form of emails and  
2 spreadsheet account summaries and are not audited.

3 18. On or about March 7, 2006 the Fishing Partners – Salmon, LLC (“FPS LLC”) was  
4 formed in the State of Arizona. FPS LLC was formed to allow BRADFORD to manage the  
5 investor funds and to provide investors with an interest in the fund. Two investors were listed as  
6 members of the FPS LLC at this time.

7 19. Pursuant to public records of the Commission, at all times relevant BRADFORD  
8 was the manager of FPS LLC.

9 20. On or about March 8, 2006, BRADFORD opened a brokerage account in FPS  
10 LLC’s name with Scottrade, Inc., (“Scottrade Account”), an online brokerage firm, to deposit the  
11 pooled money which enabled BRADFORD to, including but not limited to, trade stocks and  
12 options, use margin trading (to use borrowed funds to employ trades or trading strategies), and  
13 write authorized checks.

14 21. On or about March 9, 2006, at least one investor’s monies were deposited into the  
15 Scottrade Account to allow BRADFORD to manage and trade.

16 22. BRADFORD was the only individual authorized to transact and access the  
17 Scottrade Account for all times relevant.

18 23. None of the investors managed or participated in the management of the Scottrade  
19 Account.

20 24. A formal FPS LLC Operating Agreement (“Operating Agreement”) was drafted to  
21 memorialize the legal rights and agreements of BRADFORD, FPS LLC and each investor.  
22 Investors would be given “unit certificates” representing a certain number of shares of FPS LLC  
23 that corresponded with their respective interest in the fund based on their percentage of  
24 contribution.

25 25. The Operating Agreement stated that FPS LLC was formed for the purpose of  
26 operating a financial services company and any other lawful business.

1           26. All profits would inure to FPS LLC and then be paid out annually or as determined  
2 by a majority of members, to investors in proportion to their interest as reflected in the "unit  
3 certificate."

4           27. The Operating Agreement was executed by six (6) total investors (the two original  
5 March 7, 2006 LLC members plus 4 additional investors), who were combined and all became  
6 members of the FPS LLC, which became effective as of May 1, 2006. The investors each received  
7 a "unit certificate" document evidencing their respective interest based on their percentage of  
8 contribution.

9           28. Pursuant to the Operating Agreement, BRADFORD as Manager, was vested the  
10 power to manage and control the business affairs of FPS LLC as evidenced by the "Powers of the  
11 Manager(s)" enumerated in the Operating Agreement Section VII, subsection (A) and (B)  
12 respectively, including but not limited to, the ability to:

13               a) "To engage in any activity and to execute, perform, and carry out the  
14 purchase or sale of investments, execution of trades, contracts or agreements of any kind [...].";

15               b) "To sell, exchange, convey, lease, or otherwise dispose of all or part of any  
16 personal Company property [...]" with approval by at least 60% of members;

17               c) "To acquire by purchase, lease, exchange, or otherwise any Company  
18 tangible or intangible asset [...].";

19               d) "[...], to lend money and receive debt instruments [...] on behalf of the  
20 Company for any approved Company purpose [...].";

21               e) "To employ agents, employees, [and other third parties to carry out the  
22 Company business]"; and

23               f) "To invest and reinvest, on behalf of the Company, Company funds [...]."

24  
25           29. In addition, the FPS LLC Operating Agreement Section VII, subsection (F) stated  
26 that no individual member shall take part in the control or management of FPS LLC business.

1           30.     BRADFORD executed hundreds of trades within the Scottrade Account on almost a  
2 daily basis and made decisions, such as the advisability of investing in the type of and which  
3 security.

4           31.     BRADFORD and FPS LLC, through its members, agreed that the compensation for  
5 his management and services would equate to (i) a one-time management fee equal to 2% of the  
6 capital investment made by the investor and (ii) 20% of all profits made by the "Hedge Fund" to be  
7 paid quarterly and no unauthorized withdrawals by BRADFORD were allowed. This was  
8 memorialized in the Operating Agreement.

9           32.     All investment services and advice provided by BRADFORD would be paid as part  
10 of the above compensation structure as there were no other contracts between the parties.

11          33.     For all times relevant, BRADFORD had custody of the investor's assets as the sole  
12 applicant on the FPS Scottrade Account and sole party to transact and manage the pooled investor  
13 funds.

14          34.     BRADFORD delivered periodic unaudited statements to investors showing  
15 individual balances and year-to-date gains exceeding 30% (and some higher than 100%) to  
16 investors; however the balances and year-to-date gains submitted did not reflect the true and actual  
17 account balances and gains, which were far below the values represented by BRADFORD and  
18 were actually negative.

19          35.     On or about August 15, 2007, based on the statements showing profits and positive  
20 returns, at least one investor purchased additional FPS membership interests of \$250,000  
21 ("Additional Investment") and his monies were deposited into the Scottrade Account.

22          36.     Prior to the deposit of the Additional Investment, the Scottrade Account balance  
23 was less than \$500.

24          37.     Approximately 7 days following the Additional Investment deposit, BRADFORD  
25 wrote a check for \$70,000 from the Scottrade Account to a different investor who had been  
26 requesting liquidation.

38. BRADFORD failed to disclose to investors that the funds received would be used to pay other investors.

39. BRADFORD represented to at least one investor that they could easily liquidate upon request.

40. Multiple investors, who requested liquidation were unsuccessful and received nothing. The Scottrade Account held almost all positions on margin and the Scottrade Account balances were far below their reported statement balances provided by BRADFORD to investors.

41. BRADFORD wrote checks and/or withdrew funds from the Scottrade Account over 30 times from the period of March 2006 through November 2007 in violation of the Operating Agreement and without authorization. Some of the checks and/or withdrawals were marked as earned fees or commissions by BRADFORD when in fact no fees or commission were earned pursuant to the Operating Agreement since no net profits were realized. Checks were made out to BRADFORD and C.BRADFORD, who deposited them into their personal banking accounts to pay for credit cards and other miscellaneous purchases.

42. BRADFORD raised at least \$1,298,416.36 from at least 6 investors. At least 6 investors also paid a one-time management fee to BRADFORD equal to 2% of their principal. These payments were in exchange for an interest in the fund and services provided by BRADFORD.

43. On or about November 30, 2007, by majority approval of the investors/members, BRADFORD was replaced as the Manager of FPS LLC. This amendment was filed with the Commission on February 15, 2008.

#### IV.

**VIOLATION OF A.R.S. § 44-1841**

**(Offer or Sale of Unregistered Securities)**

44. From on or about March 1, 2006, Respondent offered or sold securities in the form of investment contracts, within or from Arizona.

V.

**(Transactions by Unregistered Dealers or Salesmen)**

48. This conduct violates A.R.S. § 44-1842.

## VI.

**(Fraud in Connection with the Offer or Sale of Securities)**

a) Misrepresented to at least one investor that he was a “licensed” securities salesman in fact he was not. BRADFORD has not been registered as a salesman since 2001 and has never been a registered dealer;

8



c) Misrepresented to at least one investor not to worry about losing their principal as he was worth millions and could guarantee the funds. However, when losses did arise, BRADFORD did not repay the investor their principal or interest upon request;

d) Misrepresented that he was a current trader for T. Boone Pickens and managed a multimillion dollar fund when in fact he was not and never had been a trader or fund manager for T. Boone Pickens;

e) Failed to disclose that investor funds received would be used to pay other investors; and

f) Failed to disclose that FPS Scottrade Account funds would be withdrawn for personal use when no authority or authorization was obtained or given and BRADFORD marked some withdrawals as earned fees or commissions, when in fact no fees or commissions were earned pursuant to the Operating Agreement since no net profits were realized;

50. This conduct violates A.R.S. § 44-1991.

## VII.

### VIOLATION OF A.R.S. § 44-3151

#### (Transactions by unregistered investment adviser or investment advisor representative)

51. Respondent transacted business in Arizona as an investment adviser or investment adviser representative while not licensed or in compliance with Article 4 of the IM Act.

52. This conduct violates A.R.S. § 44-3151.

## VIII.

### VIOLATION OF A.R.S. § 44-3241

#### (Fraud in the provision of investment advisory services)

53. Respondent engaged in a transaction or transactions within or from Arizona involving the provision of investment advisory services in which BRADFORD are, directly or indirectly: (i) employing a device, scheme, or artifice to defraud; (ii) making untrue statements of material fact or omitting to state material facts that are necessary in order to make the statements

made not misleading in light of the circumstances under which they are made; (iii) misrepresenting professional qualifications with the intent that the client rely on the misrepresentation; or (iv) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit. Respondent's conduct includes, but is not limited to, the following:

a) Delivered periodic unaudited statements showing individual balances and year-to-date gains exceeding 30% (and some higher than 100%) to investors; however the balances and year-to-date gains submitted did not reflect the true and actual account balances and gains, which were far below the stated values and were actually negative; and

b) Misappropriated investment funds for personal use and marked some withdrawals as earned fees or commissions, when in fact no fees or commissions were earned pursuant to the Operating Agreement since no net profits were realized.

54. This conduct violates A.R.S. § 44-3241.

## IX.

### REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

55. Order Respondent to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032, and the IM Act, pursuant to § 44-3292;

56. Order Respondent to take affirmative action to correct the conditions resulting from Respondent's acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. §§ 44-2032, and 44-3292;

57. Order Respondent to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

58. Order Respondent to pay the state of Arizona administrative penalties of up to one thousand dollars (\$1,000) for each violation of the IM Act, pursuant to A.R.S. § 44-3296;

59. Order that the marital communities of Respondent and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

60. Order any other relief that the Commission deems appropriate.

**X.**

## HEARING OPPORTUNITY

Respondent, including Respondent Spouse may request a hearing pursuant to A.R.S. §§ 44-1972, 44-3212 and A.A.C. R14-4-306. **If a Respondent or Respondent Spouse requests a hearing, the requesting Respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting Respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov). Requests should be made as early as possible to allow time to arrange the accommodation.

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**XI.**

**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting Respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

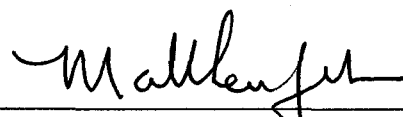
Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007, addressed to Phong (Paul) Huynh.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering Respondent or Respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering Respondent intends in good faith to deny only a part or a qualification of an allegation, the Respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 23rd day of July, 2008.

  
\_\_\_\_\_  
Matthew J. Neubert  
Director of Securities

PTH/RB